

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 COME-00 CIAE-00 INR-07 NSAE-00

TRSE-00 AGR-10 INT-05 AID-05 /045 W

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R 152015Z OCT 75

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7210

AMEMBASSY QUITO

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY SANTIAGO

UNCLAS LIMA 8527

EO 11652: NA

TAGS: ECIN, ECEM, BTIO

SUBJ: ANDEAN PACT: ECUADOR'S INITIATIVES IN PETRO-
CHEMICAL PROGRAM

REF: LIMA A-191, SEPTEMBER 30, 1975

1. AS NOTED IN REFAIR, ECUADOR IS IN A FAVORED POSITION REGARDING ANDEAN PETROCHEMICAL INDUSTRY SECTORIAL PROGRAM. ACCORDING TO GALO MONTANO, KEY ADVISOR TO MINISTER OF NATURAL RESOURCES, A HOLDING COMPANY IS TO BE FORMED WHICH WILL BE 80 PERCENT OWNED BY GOVERNMENT ENTITIES AND 20 PERCENT BY PRIVATE INVESTORS. THIS HOLDING COMPANY WILL DIRECTLY OWN A NEW 65,000 BARRELS PER DAY PETROCHEMICAL REFINERY WHICH IS TO BE BUILD AT ESMERALDAS. IT WILL ALSO FORM JOINT VENTURES WITH FOREIGN FIRMS FOR SOME 18 SATELLITE PRODUCTION UNITS BASED ON THE FEEDSTOCK PROVIDED BY THE REFINERY. AN INTEGRATED PETROCHEMICAL COMPLEX IS TO BE FORMED.

2. THE EQUITY PARTICIPATION OF THE HOLDING COMPANY IN THE INDIVIDUAL SATELLITE PROJECTS COULD BE AS LOW AS 30 PERCENT. THIS PERCENTAGE IS BASED ON DECISION 47,
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WHICH PROVIDES THAT A FIRM CAN BE CONSIDERED "MIXED"

IF THE STATE HAS AT LEAST 30 PERCENT OWNERSHIP, AS WELL AS CERTAIN INFLUENCE OVER COMPANY POLICY.

3. BARRETT DUFF FROM SAN MERINO, CALIFORNIA, WHO HAD ADVISED THE ANDEAN PACT JUNTA ON THE PETROCHEMICAL PROGRAM UNDER A SHORT-TERM AID CONTRACT, WAS CONTRACTED BY ECUADOR IN LATE SEPTEMBER TO HELP DEVELOP THAT COUNTRY'S NATIONAL IMPLEMENTATION PLAN. DUFF IS CURRENTLY WRITING UP THE TERMS OF REFERENCE FOR INVITATIONS TO BID. THESE INVITATIONS ARE TO BE ISSUED SHORTLY TO SELECTED FIRMS. THE DEADLINE FOR SUBMISSION OF THE BIDS WILL BE WITHIN SIX TO EIGHT MONTHS.

4. COMMENTING ON THE ABOVE PROCEDURE, JUNTA OFFICIALS IN LIMA HAVE EXPRESSED THE VIEW THAT A MORE DETAILED FEASIBILITY STUDY SHOULD BE CONDUCTED BEFORE BIDS ARE INVITED FOR THE INDIVIDUAL COMPONENTS OF THE PROPOSED PETROCHEMICAL COMPLEX. WITHOUT A DETAILED OVERALL PLAN, IT IS ARGUED, IT WILL BE DIFFICULT TO INTEGRATE THE PROPOSED INTERDEPENDENT PRODUCTION UNITS IN AN OPTIMAL WAY. HOWEVER, IT IS ALSO RECOGNIZED THAT BARRETT DUFF IS A HIGHLY COMPETENT ENGINEER.

5. COMMENT: THE PRACTICE OF APPROACHING SELECTED FIRMS WITH INVITATIONS TO BID IS BECOMING MORE COMMON IN THE ANDEAN REGION. THE STATED JUSTIFICATION IS TO WEED OUT "CUT AND PASTE ARTISTS", NAMELY FIRMS WHICH DO NOT HAVE THE REQUIRED TECHNOLOGY AND SPECIALIZED KNOW-HOW OF THEIR OWN. IT IS ALSO INTENDED TO SAVE FOREIGN FIRMS TIME AND EFFORT BY GUARANTEEING THAT ALL SOLICITED BIDS WILL BE GIVEN SERIOUS CONSIDERATION. ON THE NEGATIVE SIDE, HOWEVER, CERTAIN ELIGIBLE FIRMS MAY NOT RECEIVE THESE INVITATIONS BECAUSE OF INFLUENCES THAT COMPETING FIRMS MAY BE ABLE TO EXERT. IN A PRELIMINARY INVITATION TO BID ON A PROJECT INVOLVING TRACK-TYPE VEHICLES IN COLOMBIA, FOR EXAMPLE, FIAT REPORTEDLY SAW TO IT THAT CATERPILLAR WAS NOT NOTIFIED.

6. ACTION REQUESTED: AMEMBASSY QUITO MAY FIND IT USEFUL TO BE IN TOUCH WITH GALO MONTANO OF PROCONSULT TO PROVIDE ANY COOPERATION WHICH COULD BROADEN THE OPPORTUNITIES FOR UNCLASSIFIED

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U.S. SALES, ENGINEERING AND INVESTMENT PARTICIPATION IN THE PROPOSED PETROCHEMICAL COMPLEX.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, CHEMICALS, PROGRAMS (PROJECTS)
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LIMA08527
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750358-0399
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751052/aaaabtzd.tel
Line Count: 110
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 LIMA A-191
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 02 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 OCT 2003 by MaustMC>; APPROVED <11 FEB 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ANDEAN PACT: ECUADOR'S INITIATIVES IN PETRO- CHEMICAL PROGRAM
TAGS: ECIN, ECEM, BTIO, ANDEAN PACT
To: STATE QUITO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006